A Study of Indebtedness amongst Farmers in Haryana
(ए स्टडी ऑफ़ इनडेब्टेडनेस अमंगस्ट फार्मर्स इन हरियाणा)

A
Synopsis
Submitted to
DEPARTMENT OF ECONOMICS
CHAUDHARY DEVI LAL UNIVERSITY, SIRSA
In partial fulfilment of the requirements
for the degree of
DOCTOR OF PHILOSOPHY
IN
ECONOMICS

Supervised By:
Dr. Rohtas
Assistant Professor
Department of Economics
C.D.L.U., Sirsa

Submitted By:
Babloo Jakhar
Ref. No……

Department of Economics
Chaudhary Devi Lal University,
Sirsa-125055 (Haryana)

A Study of Indebtedness amongst Farmers in Haryana

Introduction

There is a well known saying with respect to farmers in our country, "The Indian farmers born in debt, lives in debt and dies in debt" (Darling). This saying is true in case of Indian farmers because they borrow year after year but they are not in a position to clear off their loan, either because the amount of loan is large or higher rate of interest or because their agricultural output is not large enough to pay off the loan. Therefore, amount of loan has been increasing and it is known as the problem of farmers' indebtedness. Taking loan for agriculture production is not a bad act. It is an essential act for proper conduct of agricultural operations. Even in the developed countries, farmers take loan for smooth operations of farming activities. Their loan can be repaid through the income generated by production of farming activities.

Most of Indian farmers undergo debts also for non productive purpose. They get loan for meeting the consumption needs, for construction of a new house, for social functions like marriage, birth and death and for repayment of previous loans etc., this kind of expenditure contribute nothing to production, so this type of act creates problems to pay instalments in a stipulated time period. As a result, such debts have been increasing from year to year and farmer faced a problem of indebtedness because their expenditure exceeds their income due to small size of land holding. During such circumstances they find no escape from the burden of unproductive debt. Most of the farmers are marginal and small farmers who possessing up to two hectares operational land holding in India. So they cultivate on their owed land, consequently their production is also small. Surplus with them, if any, is too small. But their need of credit is greater for surviving their lives in this commercial world as compared to their earnings. For meeting their basic needs for agricultural operations and households, they mostly borrow from money lenders on higher rate of interest. Their returns are not enough to meet their basic needs, so they can't repay their loans on time because of small earnings and higher rate of interest. Agriculture is not a paying profession because of increasing input costs, volatile crop prices, small size of land holding and low profit from farming. Main reason of low profit from land holding are illiteracy, lack of use of new technology, use of traditional tools, natural crisis and fluctuations in market prices for agricultural products.

The total agricultural loan disbursed in the country during 2015-16 was Rs. 877527 crore. Haryana stands 8thin agricultural loan disbursement in the country with 5.67 per cent of

the total disbursement in 2015-16, of total disbursement in the state approximately 79 per cent is crop loan and remaining 21 per cent is term loan. In spite the fact that 48 per cent of farmers in the state are marginal, the incidence of indebtedness is lesser with 1.42 per cent of indebtedness incidences in the country coming from the state. (ICFA, 2016)

Farmers are availing the loan facilities from many institutional and non institutional sources like commercial banks, cooperative banks, credit societies, money lenders, aartiya, landlords, friends & relatives etc. NABARD released loans and advances 406642 crores in 2018 and Kisan Credit Card scheme (KCC) is introduced by Government of India in 1998-99 as an innovative credit delivery mechanism to enable the farmers to meet their credit needs in a timely and hassle free manner. According to ICFA, Haryana stands at 15th position in issuing KCC, with 2.42 per cent of issued KCC in the country. But majority of farmers are also taken load from non institutional sources. Of total 36.41 lakh KCCs issued in the state, 47 per cent are issues by commercial banks, 37 per cent by cooperative banks and 16 per cent by RRBs, So large number of Kisan Credit Cards issued by commercial banks in the state and card holders are able to get loan immediately without long paper work.

Review of Literature

Research is a continuous process of gaining knowledge through existing knowledge by adding something new or to discover the answers of those questions which is unanswered as yet. Review of literature helps to identify research problems of a concerned area or raise questions which is unanswered as yet and it also help in preparing a roadmap for getting solution of research problems.

Dahiya (1999) conducted a study in Sonepat district of Haryana state and assessed the magnitude and cause of agricultural indebtedness. A total number of 104 farmers were randomly selected for the collection of primary data from the four selected villages. Study highlighted that most of the farmers were under debt. The level of debt per hectare was the highest in the case of small farmers and the lowest in the case of large farmers. A major portion of the total debt was taken from institutional sources. The diversion or productive credit to unspecified purposes was more in the case of small farmers than in the case of medium and large farmers. Three factors viz, total amount of borrowed funds diverted to unspecified purposes and consumption expenditure were mostly responsible for indebtedness of these people. Study discussed about magnitude and cause of agriculture indebtedness. But study did not explain their payment pattern of debt, problems faced by farmers while getting loan and

study did not specify the condition of income and expenditure pattern of marginal farmers. So, study ignored the major components of level of living of a person.

Das (2001) conducted a study in Arunachal Pradesh with the sample of two hundred farmers and found that defaulters were mostly those who were taken a loan for livestock production, who were taken a lower amount of loan (up-to Rs. 10000), and who had lower educational attainment. Reasons for non-repayment included failure of the livelihood schemes, low earnings from the schemes, difficulty of going to the bank, diversion of loan, and desired default.

Sidhu (2001) conducted a study in the selected are of Punjab & Western U.P. and showed that against the backdrop of farming communities fast running into economic crisis that could result in social unrest in rural area sustaining 60 per cent of the population. The crop prices witnessed sharp fluctuations and the produce was sold to private agencies through commission agents who were also the source of private loans for the farmers but charged higher interest rate up to 30 to 40 per cent. The study found that the 308 sample farmer households were under debt of varying degrees.

Singh and Joshi (2008) studied that small and marginal farmers were not economically viable by depending only upon crops and dairying. Income from off-farm activities was the only factor, which helps them become viable farmers. They further added that the policy measures pertaining to the sustainable development of small and marginal farmers indicated that, dairying has emerged as a major allied enterprise for supplementing the income of small and marginal farmers in Punjab. Its potential should be further exploited to raise the level of economic surplus of small and marginal farmers in Punjab. Domestic expenditure has been found to exceed the disposable income, turning the economic surplus towards the negative on small and marginal farms. Therefore, to meet the domestic expenditure in a rational manner, more income-earning opportunities from off-farm activities need to be explored.

Kaur (2009) examined the socio-economic status of farmers of Punjab during pre and post-liberalization period. Privatization, liberalisation and globalization phase was initiated by the major reforms introduced in July 1991. Socio-economic status depends on occupation, education, income, wealth and place of residence. The study used primary data collected for 150 0households from district Muktsar Punjab and also secondary data on Agricultural credit, and agricultural productivity during the period 1981-2005. Analysis had also been done for pre-liberalisation period, i.e., 1981-82 to 1991-92 and post liberalisation period, i.e., 1992-93

to 2004-05. The findings of the study showed that farmers have been debt ridden because of high interest rates charged by money lenders. They are dependent only on two crops, viz. wheat and paddy. Income wise relation depicts that more of farmers with low income were producing wheat and cotton, while the large farmers with higher income produce paddy, cotton and wheat. Relationship between size of holding and cropping pattern depicts that more number of farmers with small sized holdings are producing wheat and cotton, while the farmers with large land holdings prefer to produce paddy, cotton and wheat The others predominant characteristics are: illiteracy of farmers, excess spending on social ceremonies like marriage etc. 40.66 per cent farmers are having small land holdings and were unable use modern machinery resulting in low productivity and low income 73.33 per cent households rely only on income from only agriculture and 26.66 per cent farmers got income from other sources like diary, business, labour and live stock 76.66 per cent of farmers selling crops in nearby market and 23.33 per cent of farmers were selling their crops in their own village or to private money lenders to repay previous loans 63.33 per cent households reported that they possess all housing facilities like separate kitchen, bathroom within have, source of lighting, source of water. For 48.66 per cent farmers irrigation source were tube wells, 25.33 per cent depended on canals and 26 per cent had access to all irrigation sources like tube wells, canals and others.

Sharma (2009) conducted a study on 300 respondents from Bilaspur and Sadhaura block of Yamunanagar in Haryana. The findings showed that the landless and marginal respondents have received the highest percentage of loans i.e. 66.44 and 52.31 per cent through the Government Scheme under the anti-poverty programmes, which are advanced at a low rate of interest along with subsidies and have been used by the beneficiaries for productive purposes. The second major source of loan was village money-lenders which constitute 29.38 and 22.62 per cent among the landless households and a marginal size of holding respectively. The loan taken from money lenders at a very high rate of interests had been used mainly for unproductive purposes by the house-holds. The percentage of loans taken from banks was 1.83 and 11.90 per cent among landless and marginal households while from co-operative societies it was 0.18 per cent and 9.72 per cent respectively. The percentage of loans taken from the banks and co-operative societies was less because the procedure of taking loans from banks and co-operative societies is complicated and time consuming.

Singh (2010) conducted a study to estimate the levels of credit taken for healthcare purposes by the marginal and small farmers. The study was conducted in selected villages of Amristar and Gurdaspur districts of Punjab state in 2008-09. The study revealed that the total annual

incomes were estimated to be Rs. 56,428 and Rs. 1,05,680 for the marginal and small farmers respectively. Their average annual expenditure were estimated to be Rs. 79,769 and Rs. 1,46,378 for the marginal and small farmers respectively. The annual income of farmers precedes their annual total expenditure by 41.40 per cent and 38.50 per cent in the case of marginal and small farmers respectively. The study also revealed that the amount of debt per household is found to be more in the case of small farm-size category standing at Rs. 70,502 as against the amount of Rs. 44,635 for the marginal farm-size category. As many as 46.40 per cent and 40.90 per cent of the total credit for the marginal and small farmers was acquired for the purchase of agricultural inputs followed by health care purposes with the percentages of 20.00 and 23.20 for the marginal and small farmers respectively.

Chander (2012) conducted a study in Karnal and Bhiwani district of Haryana. Bhiwani district was selected from dry zone while Karnal district was selected from wet zone for the purpose of the study. Purposive sampling technique was used for selection of districts, further one block selected randomly from each selected district i.e. Gharaunda block from Karnal district and Loharu block from Bhiwani district. Further four villages selected from each block randomly. Study was based on primary data. Data collected through well planned interview-schedule. It had undertaken 50 respondents from each selected village. Respondents had taken two types of loans i.e. for productive purpose and unproductive purpose. Majority of the respondents 70.25 per cent had taken loan for crop expenses, 26.75 per cent for purchase of machinery and equipment and 17.25 per cent for live stock purpose. Majority of the respondents 72.75 per cent had taken loan from non-institutional sources and more than half of the respondents 57.75 per cent took the loan from institutional sources and nearly one-third of the respondents 30.50 took loan from both sources. Kisan credit card was also used by 54.50 per cent of the respondents in both regions. The number of Kisan credit card was more in Karnal region 63.50 per cent than Bhiwani region 45.50 per cent. Two-third of the respondents 66.75 per cent could not repay the loan due to repayment of previous loan followed by 56.25 per cent due to crop failure, 53.50 per cent due to high expenses on social ceremonies and 51.25 per cent due to low income. Likewise, nearly half of the respondents 49.75 per cent each were not repaying the loan due to large size of family, due to adverse climatic conditions, lack of irrigation facility 48.50 per cent and high cost of inputs of crop 47.50 per cent etc,. Regarding problems faced by respondents after taking loan, more than three-fourth of the respondents 77.0 per cent were facing the problem of declining income after taking loan and faced psychological problems 72.25 per cent. Repayment pattern of institutional loan of respondents was found irregular

among 41.10 per cent of respondents. On the other hand 39.40 per cent was found regular and even 19.50 per cent were not repaying.

Duhan (2016) conducted a study in Sonepat district of Haryana. All the blocks of Sonepat district had for this study and results were based on field survey. The study had assessed the magnitude of agriculture debt purpose-wise, source-wise and category-wise and examined the progress of institutional as well as non-institutional agricultural credit in Haryana. The major finding of this study were following, that the marginal and small farmers borrowed relatively more from the informal sources because these informal sources provide such loans without much hesitation, though at the higher cost. The formal sources do not normally provide loans for non-productive purposes because the farmers diverted their credit towards non productive purposes. The medium and large farmers borrowed mainly form formal sector due to their credibility of paying the debt in stipulated time because these categories of farmer have more sources of revenue than that of marginal and small farmers.

Necessity of the present study

Literature shows the extent of debt which is increasing day by day because farmers are depending on market for basic needs, and there is a gap between income and expenditures. So expenditure has been increasing but there is no enough improvement in earnings. So farmers have to get loan for meeting their basic needs. Problem of indebtedness is the result of failure to pay their instalments within stipulated time period. Credit structure plays an important role for agriculture development and changing agrarian relations in India.

A few studies conducted in Haryana on the topic of farmers' indebtedness and most of the conducted studies were limited to one or two districts and time span of data collection is also older than five years. The economic conditions of farmers have changed between the time period taken up in the preceding studies and present scenario. So, I would like to study the present situation of farmers' indebtedness. Present study will undertake the nature, extent and sources of debt among the farmers. Haryana is an agriculture domain state in India and more than 60 per cent population directly engaged in farming activities. Farmers have been suffering a problem of indebtedness, and a few studies conducted in Haryana. So the present study will fill up the research gap, on the topic of "A Study of Indebtedness amongst Farmers in Haryana". This study will intend to explore the utilisation and repayment pattern of debt by farmers, causes and consequences of indebtedness and problems or challenges faced by farmers during getting and repaying loans.

Specific objectives of the study

The present study will outline the following objectives:

1. To study the nature, extent and sources of debt among the farmers in Haryana.
2. To evaluate the utilisation and repayment pattern of debt by farmers in Haryana.
3. To examine the causes and consequences of farmers' indebtedness in Haryana.
4. To highlight the problems faced by farmers during getting and repaying loans.

Methodology

The study will be based on primary as well as on secondary data. But all the objectives of the study will be justified through primary data. Primary data will be collected from the sample of selected farmers through a well designed questionnaire/schedule method. Suitable sampling method will be used for the selection of the area of the study. Required data will be collected during the academic year 2019-20 or 2020-21 from selected sample farmers. Appropriate statistical tools & techniques will be used for data analysis.

Significance of the study

The significance of the study will be very much for farmers, researchers, government, policy makers and different agencies. Farmers of Haryana faced a problem of indebtedness specially marginal and small farmers. This study will explore the present scenario of nature, extent, source of debt and problems or challenges faced by farmers during getting and repaying loan. Study will also find out the main causes of debt and its consequences, utilisation and repayment pattern of debt by farmers in Haryana.

Scope of the study

The study will undertake the nature, extent and sources of debt among the farmers. It will also find out the main causes of debt and its consequences, utilisation and repayment pattern of debt by farmers, challenges or problems faced by farmers during getting and repaying loan. The topic has many questions, but some part of it will be selected for the present study.

Limitations of the study

The study will be based on primary as well as on secondary data. It will be very difficult to include the universe because of time and financial constraints, so the present study will undertake selected districts of Haryana for the collection of primary data through a well

designed questionnaire/schedule method from the sample of selected farmers. Results of the study will be based on field survey and information provided by selected respondents for this study.

Chapterization of the study

In order to present the study in an effective manner, the study will be divided into five parts:

Chapter 1: Introduction

Chapter 2: Review of Literature

Chapter 3: Methodology and Basic Concepts

Chapter 4: Results and Discussion

Chapter 5: Summary and Suggestions

References

Sidhu, J. S. (2001), "Green Revolution in India has Farmers under Severe Debt". http://www.mindfully.org./Farm/ India-Green-Revolution.httn.

Das, D. (2001) "A Study on Repayment Behavior of Sample Borrowers of the Arunachal Pradesh". *Indian Cooperative Review* **39**(2):139-147.

Singh, Mandeep and A.S. Joshi, (2008) "Economic Analysis of Crop Production and Dairy Farming on Small and marginal farms in Punjab", *Agricultural Economic Research Review,* **21**(2) July – December: 251-257.

Kaur, G. (2009) " Results and Discussion" Socio Economic Status of Farmers during Pre and Post Liberalization: A Case Study from Punjab, *M. Phil Thesis*, Department of Economics, Thapar University, Patiala.

Sharma, N. (2009) "Nature and Extent of Household Savings and Indebtedness among the Weaker Sections in the Areas of Haryana: A Study of Yamunanagar District". http://findarticles.loan/p/articles/mi_7058/is_3_4_18/ai_n487116161.

Singh, N. (2010) "Rural Healthcare and Indebtedness in Punjab", *Economic and Political Weekly,* **45**(11): 22-25.

GOI (2016) "Report on Haryana Agriculture and Farmer Welfare" *Indian Council of Food and Agriculture*, 1-11.

Chander, Subhash (2012) "Results and Discussion" Problem of Debt among Farmers of Rural Haryana– A Sociological Analysis, *Ph. D Thesis*, Department of Sociology college of basic science & humanities CCS HAU Hisar.

Mohana, T. (2016) "Results and Discussion", A Study on the Rural Indebtedness of Farmers– With Special Reference to Thottiyam Taluk of Trichy District. *M.Sc. Project*, Tamil Nadu State Council for Higher Education, Kamarajar Salai, Lady Willingdon College Campus, Chennai– 600 005.

Duhan, Pardeep Kumar, (2016) "Extent and Nature of Agriculture Debt in Haryana: a Case Study". *International Journal of Advanced Research in Management and Social Sciences*, **5**(6): 33-47.